

EX PARTE OR LATE FILED

**Small
Business
SURVIVAL
Committee**

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

December 5, 1997

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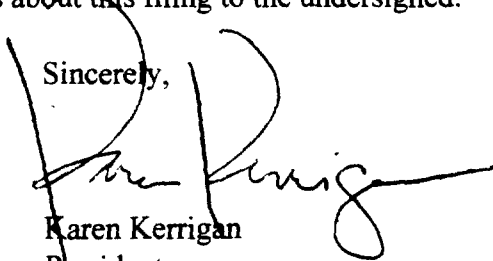
Re: Access Charge Reform, CC Docket No. 96-262; Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1; Transport Rate Structure and Pricing, CC Docket No. 91-213; End User Common Line Charge, CC Docket No. 95-72

Dear Ms. Salas:

Pursuant to § 1.1206(b)(1), please find enclosed eight copies (two copies for each of the proceedings) of the written Ex Parte presentation made to the Commissioners in the above referenced dockets.

Please direct any questions about this filing to the undersigned.

Sincerely,


Karen Kerrigan
President

Enclosures

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December 4, 1997

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Honorable William E. Kennard
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Access Charge Reform, CC Docket No. 96-262

Dear Chairman Kennard:

The Federal Communications Commission instituted changes in the payment of access charges. The Small Business Survival Committee (SBSC), an advocacy organization representing 40,000 small businesses and entrepreneurs, is writing to the Commission because the new access charge regime will have adverse economic consequences for our members. SBSC does not believe that the Commission adequately considered the impact that these changes will have on small business users of telecommunication services, particularly those that do not heavily utilize long-distance service. We urge the Commission to grant the petitions for reconsideration filed by the trade associations representing small long-distance carriers.

SBSC remains concerned that the institution of Presubscribed Interexchange Carrier Charges ("PICCs") will raise the costs of small business without providing any benefit in lower telephone costs. According to the Order, a PICC will be imposed on each telephone line without regard to whether a line has a presubscribed interexchange carrier. As a result, the Commission should have examined the impact of this rule on small local businesses as required under the Regulatory Flexibility Act.

The Commission asserts that the increase in the flat rate charge will be more than offset by the reduction in per minute charges associated with the elimination of the carrier common line charge. The Commission's conclusion is based on the faulty analysis that small local service businesses utilize long-distance service sufficiently to benefit from the reduction in per minute charges. Because many small business' calls are local in nature and many small businesses nationwide will not see any cost-savings as a result of converting access charges to a flat monthly rate. The change simply constitutes a subsidy of residential and heavy business users of long distance service. Thus, the access charge reform constitutes a subsidy of residential and heavy business users of long distance service.

The Commission compounded this error by not analyzing the impact of the

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PICC on small business users as required by the RFA. The Commission authorizes local exchange carriers to bill business owners directly for the PICC when the business does not preselect a long-distance carrier. Thus, many small businesses will be paying a PICC even on lines in which they do not make any long-distance calls. For example, small businesses with multiple lines establish codes for making long distance calls and only certain employees on certain lines may have those codes. Nevertheless, the Commission would permit local exchange carriers to bill small businesses directly for a PICC even though the line or lines are never used for long-distance service. The impact of this direct regulation on small business dramatically reduces any of the alleged benefits arising from the institution of the PICC. As a result, the Commission should have examined the impact of this rule on all small businesses as required by the RFA.

To the extent that the Commission's institution of a PICC will have a beneficial effect, it will most likely redound to small businesses in rural areas. Given the nature of the American economy, those businesses in rural areas are more likely to use long distance service in conducting day-to-day business transactions than those in densely populated urban and suburban territories. However, the Commission's revision to the pricing of long distance service in the Access Charge Reform Order will undermine the benefits accruing to rural customers.

In particular, the alterations to the Transport Interconnection Charge and the elimination of unitary pricing will dramatically increase costs for small businesses in rural areas. Both modifications raise the cost of tandem switched transport for interexchange carriers in low-density rural areas -- the primary transport mechanism in rural areas where most a number of small businesses are located. Thus, the Commission action only appears to benefit those heavy users of long-distance service in high density urban and suburban locations. Small businesses in rural areas will obtain no benefits from these changes.

The increase in costs will make it even more difficult for the job-creating small business sector to compete in a global information economy. Rural small businesses already have a difficult time growing in a global economy. The Commission's decision simply imposes yet another undue burden on their ability to compete. We strongly urge the Commission to reconsider the changes to the Transportation Interconnection Charge and unitary pricing in light of the impact that it will have on small businesses.

The Small Business Survival Committee understands the Commission's interest in rationalizing access charges. However, the Commission's modification does not rationalize the process. Rather, the modifications simply provide substantial benefits to heavy business users of long-distance service in urban and suburban markets and residential customers. Small local businesses and those in rural areas will not benefit. To resolve these

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problems, the Small Business Survival Committee strongly endorses the petitions for reconsideration filed by the Competitive Telecommunications Association, the America's Carrier Telecommunications Association, and the Telecommunications Resellers Association. In particular, we find that the reasonable alternatives proffered by the Competitive Telecommunications Association will achieve Commission goals without imposing undue burdens on America's small business sector.

Sincerely,



Karen Kerrigan

President, Small Business Survival Committee

cc: Honorable Susan Ness
cc: Honorable Harold Furchtgott-Roth
cc: Honorable Michael Powell
cc: Honorable Gloria Tristani